

"What are my retirement benefits if I am no longer employed by the State or County?"

June 2006

NONCONTRIBUTORY PLAN

EMPLOYEES' RETIREMENT SYSTEM
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This handout offers general information on pre-retirement issues. It is only a summary and does not constitute a legal document and is subject to change. Nothing contained herein shall be construed to amend, modify, override, or nullify a state statute, rule, policy, procedure or document used in the retirement process. You may obtain more detailed information by contacting the nearest ERS office. (Other ERS locations and phone numbers listed on the last page.)

FREQUENTLY ASKED QUESTIONS BY THOSE LEAVING STATE AND COUNTY EMPLOYMENT

NONCONTRIBUTORY PLAN

1. How do I know whether I am in the Contributory or Noncontributory Plan?

Contributory Plan members are required by law to have retirement contributions deducted from their monthly gross salary. This deduction is either 7.8% or 12.2% of the monthly gross salary depending on the member's occupation. If you are a Contributory member, your pay stub will show a retirement deduction.

Noncontributory Plan members are most employees hired from July 1, 1984, as well as employees hired before that date who elected to transfer from the Contributory Plan. If you are a Noncontributory member, no retirement contributions are deducted from your monthly gross salary.

2. What are the minimum requirements for retirement?

- If you have 10-19 years of credited service and you are age 62 or older, you can retire. If you leave before age 62, you can file for a retirement benefit at age 65.
- If you have 20-29 years of credited service, you can retire with a reduced pension as early as age 55. The reduction factor is 6% for each year you are below age 62.
- If you have 30 or more years of credited service, you can retire at age 55 with full benefits.
- We can accept your retirement application up to 150 days before but not less than 30 days of your retirement date.
- In addition, you must retire on the 1st day of a month (except for December, which can be either the 1st or 31st). Your "close of business" (COB) date must be before your retirement date.

3. Am I entitled to any retirement benefits when I leave my job?

If you have 10 or more years of credited service in the Employees' Retirement System (ERS):

- You are vested and eligible for a retirement benefit. Refer to Question #2 to determine when you can retire. Please contact our office to request retirement estimates 12 months before you want to retire.

- If you do not retire and later return to a regular County or State (includes Judiciary, University of Hawaii, Department of Education, and Legislature) job, you will continue to earn retirement service credits. Check with the personnel office whether the new job is covered by the ERS.

If you have less than 10 years of credited service:

- You will lose your service credits unless you return to a regular County or State (includes Judiciary, University of Hawaii, Department of Education, and Legislature) job by the end of the next calendar year. Check with the personnel office whether the new job is covered by ERS.

Example: If you terminate employment in 2002, you will lose your service credits if you do not return by December 31, 2003.

- If you return after the end of the next calendar year, you will "earn back" at no cost 1 month of lost service credit with each credited month of re-employment.

Example: Wes has 5 years of service credit in the Noncontributory Plan when his job ended on June 30, 2002. If he does not return by December 31, 2003, he will lose the 5 years of service credit. If Wes is rehired any time after December 31, 2003, he will "earn back" at no cost one month of lost service with each credited month of re-employment. After 5 years of re-employment, Wes will have "earned back" 5 years giving him a total of 10 years of service credit.

4. What is credited service?

Credited service is service as an employee paid by the State or County for which retirement credit is given. It includes regular membership service and authorized leaves such as industrial injury, sabbatical, educational, professional improvement, and maternity. Maternity leave without pay periods prior to July 1, 1973 can be acquired. Previous service and active military duty may also be included, but you must file a claim with the ERS before you leave State or County employment.

5. How will my monthly pension be computed?

Formula: $1 \frac{1}{4}\% \times \text{Years of Service} \times \text{Average Monthly Salary}$

Example: $1 \frac{1}{4}\% \times 20 \text{ years} \times \$2,000 = \$500/\text{month}$ (Maximum Allowance)

This is an example of your maximum monthly pension benefit. Other retirement options are available to meet a range of retirement needs and goals.

6. How will my monthly pension be computed if I took early retirement?

As noted in Question #2, you can retire with a reduced pension at age 55 if you have 20-29 years of service. Your pension will be reduced by 6% for each year you are below age 62.

Example of member retiring at age 55:

Regular retirement: $1\frac{1}{4}\%$ X 20 years X \$2,000 average salary =	\$500/month
Less age reduction amount (7 years x 6% = 42% x \$500)	<u>- 210</u>
Early retirement pension	\$290/month

7. What about my unused sick leave?

A minimum of 60 days of unused sick leave can be used for additional retirement service credits. Every 20 days is equal to one month of service credit. However, it cannot be used to meet the minimum retirement and retiree medical benefit requirements. Your personnel office will determine your unused sick leave balance.

60 days / 20 days	=	3 months of additional service credit
240 days / 20 days	=	12 months (1 year)
70 days / 20 days	=	3.5 months is rounded to 4 months

Example: June has 9 years and 6 months of credited service and 6 months of unused sick leave. The 6 months of unused sick leave cannot be used to meet the 10-year minimum requirement for retirement.

If June had 10 years of credited service, the 6 months of unused sick leave will be used to increase her monthly retirement benefit.

8. What about my lump sum vacation payment?

Your lump sum vacation payment is determined by your Personnel/Payroll Office. It will not increase your ERS membership service credits. If you were hired prior to January 1, 1971, the lump sum vacation payment will be added to your highest 5 years of earnings to calculate your average final compensation (AFC) for retirement purposes.

9. Are death benefits payable after I leave my job?

No. You must retire and select a survivor benefit to qualify for death benefits.

10. Is there a penalty if I come back to work after retirement?

Retirees who return to work in ERS membership positions (50% full-time equivalence for more than 3 months) will have their pensions suspended until their next retirement. They will earn additional retirement credits during the second employment term and the additional retirement benefit for this period will be "tacked on" the member's original monthly benefit.

Retirees who return to positions that do not require ERS membership (less than 50% full-time equivalence or employment terms not exceeding 3 months) can continue to retain their ERS pension and health fund benefits.

What about contract work?

You must check with the personnel office to determine if the contract work requires ERS membership.

Additional Questions? Call or write to us at the Honolulu office listed on the front cover or at the following other ERS locations:

Hawaii

101 Aupuni Street, Room 208
Hilo, Hawaii 96720
Phone: 974-4076, 974-4077
FAX: 974-4078
Toll-free to Honolulu:
974-4000, extension 61735

Kauai

3060 Eiwa Street, Room 302
Lihue, Hawaii 96766
Phone: 274-3010
FAX: 241-3193
Toll-free to Honolulu:
274-3141, extension 61735

Maui

State Office Building, Room 218
54 S. High Street
Wailuku, Hawaii 96793
Phone: 984-8181, 984-8282
FAX: 984-8183
Toll-free to Honolulu:
984-2400, extension 61735

Molokai/Lanai

Toll-free to Honolulu
1-800-468-4644, extension 61735

From the U.S. mainland

Toll free 1-888-659-0708

You can check our website at www4.hawaii.gov/ers for additional information.